

MINUTES
GAMING ADVISORY COUNCIL

September 16, 2011
Missoula, Montana

Please note: This is a summary of the Council meeting. The meeting in its entirety is recorded in a digital format and maintained at the Gambling Control Division office at 2550 Prospect Avenue, Helena, Montana. Exhibits are on file in the office of the Gambling Control Division.

COUNCIL MEMBERS PRESENT

Mark Kennedy (Chairman)	Tim Carson
Steve Morris	John Tooke (Vice-Chairman)
John Engen	Jed Fitch
Sen. Jon Sonju	Bob McAnally
Rep. Pat Noonan	

DIVISION STAFF PRESENT

Rick Ask	Ben Kamerzel
Cregg Coughlin	Lisa Christiansen
Angela Nunn	Larry Renmann

SUMMARY OF COUNCIL ACTION

- ◆ **The Council voted unanimously to approve the minutes of the 5/19/11 meeting.**
- ♠ **The Council voted unanimously to endorse the proposed rules as presented by the Division.**
- ♣ **Council members Fitch and Tooke (Chairman), Division Member Jeff Bryson and GIA/MTA member Kent Frampton were appointed to the Card Tournament Subcommittee which will report back to the Council by May 2012.**
- ♥ **The Council tentatively set the next meeting for November 29, 2011 in Helena.**

CALL TO ORDER AND ROLL CALL

Chairman Kennedy called the meeting to order at 10:05 a.m. All members were present except for Rep. Sonju, who arrived shortly thereafter. The minutes from the May 19, 2011 meeting were adopted unanimously. Mr. Ask introduced Division employees in attendance.

DIVISION UPDATE

Division Statistical Report

Administrator Ask gave a brief overview of the Division statistics through fourth quarter FY 2011. He explained that video gambling machine tax collections for the fourth quarter FY 2011 were \$12.76 million, an increase of \$577,000 (4.7%) from the previous quarter, and \$123,000 more than the fourth quarter of FY 2010. In the fourth quarter of FY 2011, the Division received 95 liquor, gambling, and combined liquor gambling applications, comparable to the 92 applications received during the fourth quarter of FY 2010. During the fourth quarter of FY 2011, 713 vgm permits were issued, about 1,700 less than fourth quarter FY 2010. The significant difference was the result of a special project, not indicative of a trend. Permit renewals were down about 5%. Mr. Ask suggested that permit renewals may rebound with the implementation of line games. Mr. Ask stated that by the end of the fourth quarter, the number of card tables licensed during FY 2011 was 332, down 67 tables from the same time the previous year; the number of card dealers licensed at the end of fourth quarter FY 2011 was 549, down 175 from the same time the previous year; and the total number of bingo and keno licenses increased to 86 in the fourth quarter of FY 2011, an increase of 9 over the fourth quarter of FY 2010.

Mr. Tooke asked how permit fees are allocated. Mr. Ask explained that out of the \$220 permit fee - \$100 goes to local government and \$120 goes to the gambling state special revenue fund that helps fund the Division. Mr. Tooke asked if the decline has affected the Division's budget and Mr. Ask stated that the Division prepared its budget conservatively going into the last session, because of the economy, but if the trend continues in the future, it will affect the budget.

Mr. Carson strongly agreed that there will be a surge in permits when the line games are approved – probably in December. Mr. Ask stated the Division will track the numbers and report back to the Council at the December meeting.

Mr. Ask introduced Angela Wong, the Montana Lottery Director, and Shauna Helfert, Administrator of the Liquor Control Division.

Ms. Wong stated that the Lottery wants to maintain an open relationship with the industry. Mr. Carson asked Ms. Wong why a blackjack game can be put on a Lottery terminal. Ms. Wong explained that the game does not play like blackjack, the style is completely different and it is a scratch ticket that has pre-determined odds. Mr. Kennedy asked where the lottery terminals are placed. Ms. Wong stated that they have to be in a licensed gambling establishment; the Lottery contacts the Division to ask if a location is a licensed gambling establishment.

OLD BUSINESS

Licensing Subcommittee Report

Rep. Noonan explained that the Licensing Subcommittee was tasked with streamlining some of the paperwork and making some of the bureaucracy a little more manageable concerning foreclosures, change of location and change of entity type.

Mr. Ask stated that currently if the foreclosing party is the previous owner and it forecloses within five years or half the term of the contract, an amended application is required up to two years following the sale; after two years a new license application is required and the business can continue operations as long as certain criteria are met. The first proposal is that if the foreclosing party is the previous owner, has had no change in ownership since last licensed, and the foreclosure takes place within two years following the sale, a new short amended form can be submitted along with new personal history statements, complete sets of fingerprints and a copy of the licensee's most recent financial statements or tax returns. If the foreclosure takes place more than two years but fewer than five years following sale, a new license application would be required.

Mr. Ask explained that the second proposal concerns change of location. Current rules require the long form for the change of location, if it is a gambling establishment this is required by Liquor, but for route operators, distributors, and manufacturers, licensees who don't have an on-premise liquor license, it does not make sense to make them utilize the long application form. The Division proposes the use of the short amended form for these location changes.

Mr. Ask stated that another proposal concerns change of entity type – changing business type (e.g. LLC to Inc.) with no strangers being added to the license. Ms. Helfert explained that a combined one and one half page application form would be needed along with corresponding documents; if ownership changes from less than 10% to more than 10% ownership, fingerprints will be needed and there will be a publication notification process. Ms. Helfert also stated that Liquor is reviewing streamlining license type changes (e.g. restaurant beer and wine to all-beverage license) so long as ownership remains the same.

Mr. Tooke asked if a wife (a stranger) could be added to a license with the short form since she is a manager and has submitted a personal history statement etc. Ms. Helfert responded that the short form could not be used if his wife wasn't on the original application. Mr. Morris stated that he understood why a stranger to a license would be investigated but does not understand why the original operator has to be investigated. Mr. Ask stated that it is one application form for the entity itself reporting the change, and that there is no special investigation of a current licensee except for updating a fingerprint background if it had not been recently conducted.

NEW BUSINESS

Proposed Rules

Mr. Ask reviewed New Rule I, the rule amendments to Mont. Admin. R. 23.16.117 and 23.16.126, which essentially enact what has been proposed to the License Subcommittee to streamline the licensing process. The entity change will be on a Form 39, which the Department of Revenue is developing.

Mr. Ask explained the change to the card tournament rule (23.16.1101) which clarifies that prizes may only be awarded at the conclusion of the tournament.

Mr. Ask described the general video gambling machine specification change which will allow bill acceptors to accept \$50 and \$100 bills. Mr. Ask explained that the amendment to 23.16.1908 is basically for cleanup to add the changes to the keno machine software rule that were not added to the machine specifications in the last round of rules.

Mr. Tooke moved to endorse the rules as proposed. The motion was seconded and passed unanimously.

SPORTS TAB GAMES SPONSORS (PROPOSED RULE)

Mr. Ask explained the difference between sports tab games, which are popular in Butte and Anaconda, and sports pool boards. A sports tab game sponsor can keep up to 10% of the cost of the 100 sports tabs on a board for administration and other expenses whereas a sports pool must payout 100% of the value of the sports pool. Mr. Ask stated that one of the anomalies in the law is that the sports tab game sponsor doesn't have to be the location operator. The Division had an experience with a sponsor involving multiple violations, thus the decision was made that if a sponsor is someone other than the location operator, the sponsor would need an Associated Gambling Business License. Mr. Morris asked why the Division does not require the gambling operator to be the sponsor. Mr. Ask responded that would have to be done by the Legislature.

Mr. Fitch stated that unless someone is actively promoting the sale of the sports tabs for a game, there is a chance of losing money if the person doesn't sell all the tabs on a board and the winner has been sold.

Mr. Morris stated that the reason you don't see sports tabs around much is that they are hard to get if you are not located in Butte.

Mr. Ask stated that the Division will bring this issue back to the Council in May 2012 for further discussion concerning whether or not the Council wants to propose Legislation making it a requirement for a licensed gambling operator to be the sports tab game sponsor.

CARD TOURNAMENT DISCUSSION

Mr. Ask provided the Council with background information on card tournaments. Mr. Ask explained that a licensed operator who has a permit for at least one live card game table may conduct up to 12 live card tournaments a year; each tournament may last for no more than five consecutive days; at least seven days must lapse between tournaments; an application must be submitted to the department at least ten working days before the start of the tournament along with the \$10 application processing fee; and the total paid by an individual to participate in a tournament may not exceed \$2,500.

Neil Peterson, GIA, stated that his members would like to see the Council expand the number of tournaments a location can have per year; eliminate the application fee; and do some things with poker to get more people involved.

Mr. Tooke stated that in Vegas they have a lot of “Sit n Go” tournaments where a player buys in for \$10 to generate the house game of the night. This seems to be successful in generating more play. There needs to be interest generated in poker to combat the interest in internet gambling. Mr. Tooke suggested setting up a subcommittee to review this topic.

Chairman Kennedy appointed Mr. Fitch, Mr. Tooke (Chairman), Jeff Bryson, and Kent Frampton (GIA, MTA member) to the committee with Angela Nunn assisting. The committee will report by May 2012 and the first meeting will be in Great Falls.

Mr. Morris commented about an issue in Red Lodge at the MTA convention, a corporate entity will enter four players in a tournament but wants to settle up at the end of the tournament for entry fees, rebuys etc. Mr. Morris wondered if this practice is ok. Larry Renman, GIB Supervisor, stated that the money needs to be submitted up front, because a player pays to play in the tournament. Mr. Morris asked that the issue of the timing of entry and re-entry payments be clarified by the committee.

Mr. Engen asked what revenue is received by the department from tournaments. Mr. Ask stated there is a \$10 application fee, but the operator must have a licensed card table to run the tournament. Mr. Engen asked if the \$10 covers the processing cost, as he is concerned about subsidizing the tournaments if the \$10 fee is removed. Mr. Ask stated that has never been analyzed.

MONTANA COUNCIL ON PROBLEM GAMBLING

Mr. Kennedy discussed the Montana Council on Problem Gambling. The program has been in existence for 11 years and is a nonprofit private organization funded by sponsor donations (Town Pump, Montana Tavern Association, Montana Coin Machine Operators Association, Gaming Industry Association, and the Lottery). In the last year the program sponsored 969 groups with over 3,000 participants. Montana is the only State that

provides groups for the families of gamblers and 85% of the donations goes to treatment of individuals. Mr. Kennedy thanked the industry for their support.

Mr. Morris asked if the tribes had been approached by the Council to participate on some sort of level. Mr. McAnally said the way to do that would be through the Montana Tribal Leaders Council and approach each Tribal government through its executive departments or their gambling divisions. Mr. McAnally thought that the Tribes would be very receptive. Mr. Kennedy thought this was a great idea that he will take back to his board. Mr. McAnally said that one of the biggest issues the tribes are dealing with is underage gambling not only in the gambling facilities but also in the home.

Mr. Ask said that the Division would like to see internet gambling discussed at the December meeting.

PUBLIC COMMENT

Mr. Carson asked Mr. Kamerzel to give a lab update on line game submissions. Mr. Kamerzel stated that the Division has recently updated the requirements and test plans on the website. He said that one manufacturer has submitted its software and it appears that the lab will be slammed with a large influx of submissions this month. There is also a new manufacturer entering the market who will be submitting in early December. New games usually have a 60-90 day turnaround. Mr. Carson stated that a January 1st start date for line games is not a reality for most manufacturers. If new software is approved prior to January 1, 2012, it could be sent to the field with the line game portion turned off, there is a security code that will be used to “turn on” the line game software on January 1st. Mr. Tooke asked about the reality of the date of January 1 for line game availability in the field. Based on his understanding of when the manufacturer’s submissions will come into the lab, Mr. Kamerzel estimated that around 75% will be approved by January 1, 2012. Senator Sonju thought that the manufacturers would have the games ready as soon as the legislation was passed. Mr. Kamerzel stated that most of the manufacturers in Montana have not developed line games before. Mr. Carson stated that Montana is one of the most unique markets because in Montana keno games comprise 85% of the market.

FINAL BUSINESS

The Council tentatively scheduled their next meeting for November 29, 2011, in Helena. The meeting adjourned at 11:30 a.m.